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The Cincinnati Southern Railway. A Study in Municipal Activity.

By J. H. HOLLANDER. Baltimore : The Johns Hopkins Press, 1894. 8vo. pp. 96.

MR. HOLLANDER has given in this work an interesting account of a unique experiment in municipal activity and seems to find in its success an argument for the further extension of municipal functions. On this, as on other points, however, his deductions are not drawn without a due recognition of the complexity of the factors with which he is dealing.

The commercial want which led the citizens of Cincinnati to plan the work when railways first began to be built, became a necessity when Chicago and St. Louis, with their railway connections, gained the markets of the Southwest, and Louisville, through the advantages secured it by the Louisville and Nashville Railway began to take those of the South. The question seemed to be, not one of advancement and prosperity, but of existence for the merchants and manufacturers of Cincinnati. It was a realization of this fact which enabled them to overcome grave difficulties, both legal and financial. The bitter experience of Ohio, along with several of her sister states, both in building and aiding canals and railways had led to a constitutional provision forbidding any loan of public credit to private enterprises.

Great as was the need of a railway affording direct communication with the South, the obstacles interposed by the mountains of Kentucky and Tennessee were so formidable that private capitalists would not take the risk, even in the period of speculative building and abundant capital from 1868 to 1872. And as the city could not legally lend its credit to private capitalists, it violated the spirit, if not the letter, of the constitutional provision against municipal aid to public works. A doubt as to the constitutionality of the act, however, made the negotiation of bonds more difficult, and delayed the work at critical periods. Another legal difficulty was encountered when application was made to the legislature of Kentucky for the right to build through that state. Strong opposition was made, particularly by the Louisville and Nashville Railway and the people of Louisville, so that at two sessions the legislature rejected the proposition, and it was not till 1872 that consent was finally obtained.

These delays had been costly, for the bonds could have been sold to much better advantage at any time from 1868 to 1872 than was possible

after the panic of 1873. The high rate of interest which they bore, and their long time to run have imposed heavy burdens on the city, and have called forth severe criticism upon the trustees. But they were hampered by being compelled to sell the bonds at par, and by other restrictions so the fault is not wholly theirs. In securing later loans and in leasing the road the restrictions imposed by the legislature also proved unfortunate.

The road was estimated to cost ten million dollars, but eighteen million was expended without completing it. The fear to ask for more than ten million at the outset probably led to low estimates of the cost, but the road was built more substantially than the original plan contemplated, and the investigation of a hostile committee failed to discover any trace of dishonesty on the part of the trustees. The road seems to have been built at as low a cost as possible. Certainly many cases could be cited where construction companies and dishonest directors saddled heavier burdens upon private railways than were imposed upon Cincinnati by the construction of this road.

The author hesitates to claim direct advantages arising from the construction of the road, because there are so many factors to be noted in the total result. The indirect effects are even harder to compute, but the stimulus given to business in all lines is thought to more than repay the expense incurred, heavy as that has been, and much as it has increased the taxes. About six million dollars of interest was paid before the road began operations in 1880, and over four million has been paid since that date, in excess of the rental received from the company which operates the road under a twenty-five year lease. This burden will not last much longer, however, for by the terms of the lease the rental is increasing, and as the 7 per cent. bonds are due early in the next century (1902-9) they can be funded at a much lower rate of interest, so that the road will begin to yield a revenue to the city. Besides a sinking fund has been provided by taxation which will pay more than one-third of the debt by 1902. At that date, however, the road will stand debited with about thirty million dollars of bonds and interest together, and as the rental at that period is only one and a quarter million dollars per year the road cannot be called a successful financial investment. The returns must be sought in the indirect benefits which it has afforded to commerce and industry. Compared with the public works undertaken by the states at an earlier period, or even with many of the railways constructed by private enterprise, which

through bankruptcies and receiverships have wiped out much of the original capital, the Cincinnati Southern does not make a bad showing as an investment. The importance of the enterprise was so keenly realized that at the outset men of the highest integrity and ability were appointed as trustees to hold office during good behavior. They served with singular fidelity, often under adverse criticism, discouraging restrictions and difficulties of every kind. To the high character and faithfulness of the trustees, and to the absence of politics, is due the measure of success which was achieved. Most of this success, the author thinks, is due to Mr. Edward A. Ferguson, the promoter who drew the "enabling act," and has been a member of the Board of Trustees since its creation. "He is closely identified with the actual construction and ultimate disposition of the railway, and but few details in its history fail to receive the impress of his activity. Material interests, and political preferment have been sacrificed, and a life of high possibilities devoted with rare unselfishness to this one end."

With such men to conduct municipal enterprises, and with the political element entirely eliminated, there might be some hope in extending the field of their activity, but even under the most favorable circumstances, such difficulties as were overcome by Mr. Ferguson and his fellow trustees are always likely to operate against any public undertaking, and leave the balance in favor of private enterprise.

WILLIAM HILL.

Compendium of Transportation Theories. By C. C. McCAIN, Washington, D. C.: Kensington Publishing Co., 1893. 8vo. pp. 295.

Addresses Delivered Before the World's Railway Commerce Congress. Official Report. Chicago: The Railway Age and Northwestern Railroader, 1893. 8vo. pp. v + 265.

In the first of these two books, containing popular discussions of railway questions, Mr. McCain has collected thirty-four essays or addresses from experts upon the several phases of the subject. During the past few years Cooley, Blanchard, Adams, Walker, Ackworth, Nimmo, Schoonmaker, Cullom, Stickney, Huntington, Knapp, Alexander and others have written for railway reviews or magazines, or made addresses discussing or trying to define the railway problem.